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EIGHTEENTH

ANNUAL REPORT

1962

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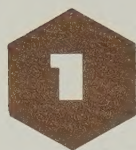
TURNBULL ELEVATOR LIMITED
FORMERLY COMBINED ENTERPRISES LIMITED



EIGHTEENTH
ANNUAL REPORT
1962

T U R N B U L L E L E V A T O R L I M I T E D
F O R M E R L Y C O M B I N E D E N T E R P R I S E S L I M I T E D





MANAGEMENT

BOARD OF DIRECTORS

M. O. SIMPSON	<i>Tucson, Arizona, Chairman</i>
*H. M. TURNER	<i>Toronto, Vice Chairman</i>
*M. O. SIMPSON, JR.	<i>Toronto, Chairman, Executive Committee</i>
C. S. BAND	<i>Toronto</i>
D. S. BEATTY	<i>Toronto</i>
R. H. HOPPE	<i>Montreal</i>
*R. W. STEVENS	<i>Toronto</i>
C. H. TOD	<i>Toronto</i>
A. S. TORREY	<i>Montreal</i>

**Members of Executive Committee*

OFFICERS

EXECUTIVE OFFICERS

M. O. SIMPSON, JR.	<i>President</i>
C. H. TOD	<i>Vice President Finance, Secretary</i>
B. T. KNILL	<i>Treasurer</i>

OPERATING OFFICERS

R. H. HOPPE	<i>Vice President, Food Flavour Division</i>
M. C. STAFFORD	<i>Vice President, Canadian Elevator Division</i>
J. O'H. TURNBULL	<i>Vice President, Industrial Division</i>
R. T. WILLIAMS	<i>Vice President, United States Elevator Division</i>
F. S. HARWOOD	<i>Vice President, Research Engineering</i>

TRANSFER AGENT AND REGISTRAR

MONTREAL TRUST COMPANY *Halifax, Montreal, Toronto and Vancouver*

AUDITORS

MCDONALD, CURRIE & CO.



THE PRESIDENT'S REPORT

TO THE SHAREHOLDERS OF TURNBULL ELEVATOR LIMITED

A year ago at this time it was my privilege to report to the shareholders that, following a decision to expand the Elevator, Industrial and Food Flavour Divisions of the Company, several worthwhile acquisitions of profitable companies had been made. This year additional steps have been taken to strengthen the Elevator Division and as a result, in a relatively short time, Turnbull has been established as one of the more important elevator companies in North America.

CORPORATE CHANGES

By changing its name from Combined Enterprises Limited to Turnbull Elevator Limited, which more clearly describes our present objects, we believe that the Company's international prestige will be enhanced, thus aiding our ability to grow and to sell our products.

It is your management's firm conviction that it is only through providing adequate research and development facilities that your Company can maintain its present position in its various fields of endeavour and provide for future growth. Therefore, the Research and Development activities of our companies have been consolidated, with the formation of a central engineering group under the direction of F. S. Harwood. Mr. Harwood has been appointed Vice-President of Research Engineering, Turnbull Elevator Limited.

The United States elevator companies have been merged and now operate as divisions of Turnbull Elevator Incorporated. Mr. R. T. Williams, formerly Executive Vice-President of Turnbull Elevator of Canada, has been appointed President of the U.S. elevator subsidiary and a Vice-President of the Company.

OPERATIONS

In reviewing the consolidated financial statements for Turnbull Elevator Limited and its wholly-owned subsidiaries in Canada, the United States and Trinidad, as at August 31, 1962, it should be noted that the assets of Seaberg Elevator and Southeastern Elevator have been included for the first time. Since the purchase of the latter company was concluded immediately prior to the year-end closing of the parent company, Southeastern's profits are not reflected in the Statement of Profit and Loss attached. Profits for Seaberg are included for the eleven months of the year during which it was a part of our organization.

Consolidated sales for the twelve months under review were approximately \$28,000,000 showing a profit of \$1,076,266 (equal to \$1.77 per share) after providing \$400,043 for income taxes. These profits reflect the reduction of our Trinidad investment through writing off, to the income account, the development loss to date. I should point out that this conforms to our original expectation, as it was anticipated that profits would not be realized from Trinidad Lime Products for at least two years. For the purpose of consolidation, all foreign holdings and earnings have been converted to Canadian Funds at the official rates of exchange existing at August 31, 1962.

The changes which have taken place in the Company in the past three years and more, particularly the acquisitions made since December 31, 1960, have,

while contributing greatly to improved profitability, materially reduced working capital. The latter has declined from \$5,733,306 at December 31, 1960 to \$5,221,729 a year ago and \$4,015,369 at August 31, 1962.

In the past year the expenditure of \$2,059,098 on plant, equipment, the acquisition of fixed assets of new subsidiaries and the goodwill pertaining thereto, has accounted for a reduction in working capital. Your directors are currently conducting negotiations with the Company's underwriters with a view to providing additional working capital and it is anticipated that the program for any such financing will be submitted to the shareholders for approval at the annual meeting of the Company to be held within the next sixty days.

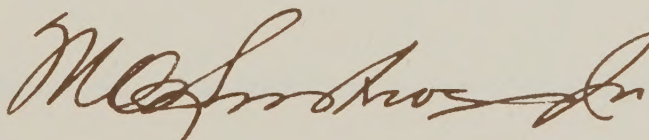
THE OUTLOOK

The results of action taken by management are living up to expectations. An improvement in our consolidated sales during the coming year of at least 15% is anticipated, and despite a much heavier tax burden, future profits should show a commensurate improvement.

We are well aware of the pressures being brought to bear on the North American economy by political and economic forces both inside and outside this continent. While we do not discount the effect of these influences, nor the magnitude of the problems being created thereby, we are nonetheless confident of this organization's future growth and prosperity.

Toronto,

October 29, 1962.

A handwritten signature in dark ink, appearing to read 'M. S. ...', is written over the signature line.

President

**CONSOLIDATED BALANCE SHEET** AS AT AUGUST 31, 1962

(With comparative figures as at August 31, 1961)

ASSETS

	<u>1962</u>	<u>1961</u>
CURRENT ASSETS:		
Accounts receivable, less allowance for doubtful accounts	\$ 6,148,284	\$ 4,186,836
Inventories, at the lower of cost or market	4,563,425	3,730,901
Prepaid expenses	299,136	179,253
Portion of mortgages receivable due within one year	1,000	41,000
	<u>11,011,845</u>	<u>8,137,990</u>
INVESTMENTS:		
Shares in and advances to foreign subsidiary company not consolidated	65,992	99,831
Mortgages receivable	12,400	283,400
	<u>78,392</u>	<u>383,231</u>
FIXED ASSETS:		
Plant and equipment—at cost	8,276,868	6,566,715
Less accumulated depreciation	3,282,065	2,949,940
	4,994,803	3,616,775
Land—at cost	544,460	368,698
Other assets—at cost, less amounts written off	14,843	12,258
	5,554,106	3,997,731
GOODWILL— at cost	268,184	46,617
	<u>\$16,912,527</u>	<u>\$12,565,569</u>

The attached notes are an integral part of the financial statements.

TURNBULL ELEVATOR LIMITED AND WHOLLY OWNED SUBSIDIARY COMPANIES

LIABILITIES

	<u>1962</u>	<u>1961</u>
CURRENT LIABILITIES:		
Bank loan and overdraft	\$ 3,280,698	\$ 283,323
Accounts payable and accrued liabilities	2,776,621	2,204,644
Taxes payable	559,661	68,032
Portion of long term liabilities due within one year	379,496	360,262
	<u>6,996,476</u>	<u>2,916,261</u>
PROVISION FOR GUTTA PERCHA PENSIONS	414,000	460,000
	<u>3,928,313</u>	<u>4,207,590</u>
LONG TERM LIABILITIES—(Note 1)		

SHAREHOLDERS' EQUITY

CAPITAL STOCK:

Authorized—1,200,000 common shares without nominal or par value		
Issued and fully paid—608,200 common shares (Note 3)	122,400	93,350
EARNED SURPLUS	5,335,262	4,888,368
EXCHANGE EQUALIZATION RESERVE (Note 2)	116,076	—
	<u>5,573,738</u>	<u>4,981,718</u>
	<u>\$16,912,527</u>	<u>\$12,565,569</u>

Signed on behalf of the Board:

M. O. SIMPSON, JR., *Director*

H. M. TURNER, *Director*

CONSOLIDATED STATEMENT OF PROFIT AND LOSS**FOR THE YEAR ENDED AUGUST 31, 1962**

(With comparative figures for the eight months ended August 31, 1961)

	<u>1962</u>	<u>1961</u>
CONSOLIDATED OPERATING PROFIT BEFORE DEDUCT- ING THE UNDERNOTED CHARGES	\$2,356,928	\$ 690,122
Depreciation	465,857	200,572
Remuneration of executive officers and legal fees	141,831	116,253
Remuneration of directors	11,812	7,200
	<u>619,500</u>	<u>324,025</u>
CONSOLIDATED OPERATING PROFIT	1,737,428	366,097
ADD:		
Profit on redemption of debentures	20,528	14,173
	<u>1,757,956</u>	<u>380,270</u>
DEDUCT:		
Interest on long term debt	220,297	125,909
Losses of foreign subsidiary company not consoli- dated	61,350	—
	<u>1,476,309</u>	<u>254,361</u>
PROFIT BEFORE INCOME TAXES	1,476,309	254,361
ESTIMATED INCOME TAXES (Note 4)	400,043	39,046
	<u>\$1,076,266</u>	<u>\$ 215,315</u>
PROFIT FOR THE PERIOD		

CONSOLIDATED STATEMENT OF EARNED SURPLUS**FOR THE YEAR ENDED AUGUST 31, 1962**

BALANCE AUGUST 31, 1961	\$4,888,368
Profit for the year	1,076,266
	<u>5,964,634</u>
Dividends at 60c per common share	364,295
Loss on realization of mortgage receivable	90,077
Provision for contingent tax liability	175,000
	<u>629,372</u>
BALANCE AUGUST 31, 1962	<u>\$5,335,262</u>

The attached notes are an integral part of the financial statements.

AUDITORS' REPORT TO THE SHAREHOLDERS

We have examined the consolidated balance sheet of Turnbull Elevator Limited (formerly Combined Enterprises Limited) and wholly owned subsidiary companies as at August 31, 1962 and the consolidated statements of profit and loss and earned surplus for the year ended on that date and have obtained all the information and explanations we have required. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances. The consolidated financial statements incorporate figures in respect of certain subsidiary companies which have been reported on by other auditors.

In accordance with the provisions of Section 118 of the Companies Act, we report that the parent company's portion of losses of a partly owned subsidiary company not consolidated has been included in the accounts of the parent company.

In our opinion, based upon our examination and the reports of other auditors, and according to the best of our information and the explanations given to us and as shown by the books of the companies, the accompanying consolidated balance sheet and consolidated statements of profit and loss and earned surplus, when read in conjunction with the notes thereto, are properly drawn up so as to exhibit a true and correct view of the state of the affairs of the companies as at August 31, 1962 and the results of their operations for the year ended on that date, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding period.

McDONALD, CURRIE & CO.,

Toronto, October 12, 1962

Chartered Accountants.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

AUGUST 31, 1962

1. Long term liabilities consist of the following:

	Long term	Portion due within one year
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TURNBULL ELEVATOR LIMITED:

4½ % Sinking fund debentures, Series "A" maturing April 15, 1970 (Sinking fund payments sufficient to redeem debentures in the principal amount of \$200,000 are due on April 15, 1963 to 1969 inclusive), less purchased for redemption \$30,500	\$2,025,000	\$169,500
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HAMSTELL CORPORATION LIMITED:

6% First secured sinking fund debentures, Series "A" and "B" maturing April 1, 1966 (Sinking fund payments sufficient to redeem debentures in the principal amount of \$65,000 are due on April 1, 1963 to 1965 inclusive)	760,000	65,000
Sundry notes and mortgages	133,513	74,796
Demand bank loan—Scheduled for repayment by 1969	1,009,800	70,200
	<u>\$3,928,313</u>	<u>\$379,496</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

AUGUST 31, 1962

2. Assets, liabilities and earnings of foreign subsidiaries have been converted to Canadian funds at August 31, 1962 rates of exchange.

3. 28,500 common shares are reserved for options granted to certain officers as follows:

Number of shares	Price	To be exercised by
11,800	\$ 8.50	December 31, 1965
16,700	11.50	December 31, 1966

Options were exercised on 2,200 shares at \$8.50 a share and 900 shares at \$11.50 a share during the year ended August 31, 1962, and options on 3,300 shares were cancelled.

4. Income taxes of approximately \$331,000 (\$97,000 for 1961) have been eliminated by the application of losses of prior years. The balance of losses available for reduction of future years' taxable profits amounts to approximately \$600,000.

5. The companies have undertaken to fund the cost of past service pension benefits over periods varying up to 28 years. At August 31, 1962 the unfunded portion amounted to approximately \$400,000.



OPERATING DIVISIONS

CANADIAN ELEVATOR DIVISION

TURNBULL ELEVATOR OF CANADA LIMITED
Toronto, Ontario

UNITED STATES ELEVATOR DIVISION

TURNBULL ELEVATOR INCORPORATED

SEABERG ELEVATOR COMPANY
Brooklyn, N.Y.

WATSON ELEVATOR COMPANY
Warsaw, N.Y.

SOUTHEASTERN ELEVATOR COMPANY
Atlanta, Ga.

FOOD FLAVOUR DIVISION

STUART BROTHERS COMPANY LIMITED
Montreal, P.Q.

STUART BROTHERS (WEST INDIES) LIMITED
Port-of-Spain, Trinidad

STUART BROTHERS INCORPORATED
Rochester, N.Y.

TRINIDAD LIME PRODUCTS LIMITED
Port-of-Spain, Trinidad

LLOYD & CO. LTD.
Port-of-Spain, Trinidad

INDUSTRIAL DIVISION

AMERICAN WRINGER COMPANY
Farnham, P.Q.

ST. LAWRENCE RUBBER COMPANY
Farnham, P.Q.

HAMILTON GEAR AND MACHINE COMPANY
Toronto, Ontario

PARAMOUNT GEAR WORKS
Toronto, Ontario

EASTERN STEEL PRODUCTS COMPANY
Preston, Ontario

FRINK SNO-PLOWS INC.
Clayton, N.Y.

FORT GARRY TIRE
Winnipeg, Manitoba

BRAKES AND WHEELS
Regina, Saskatchewan

WHEEL AND BRAKE
Hamilton, Ontario

